



Compensation Advisory Organization of Michigan

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AUGUST 27, 2004

CAOM CIRCULAR LETTER #193

RE: MICHIGAN PROOF OF COVERAGE

[CAOM Circular Letter #183](#) announced that the State of Michigan had authorized the Compensation Advisory Organization of Michigan (CAOM) to transmit data submitted by its members' carriers to the Michigan Workers Compensation Agency (WCA) for Proof of Coverage (POC) purposes. CAOM has been working with the WCA and a test carrier in an effort to implement this process.

Currently, all carrier filings made to the WCA are paper. Electronic POC will be implemented in phases. The first phase will include new and renewal policies, cancellations and most reinstatements. All other required filings for Michigan will continue to be filed with the WCA on paper. CAOM will continue to accept and process all approved WCPOLS transactions for CAOM purposes.

Prior to implementing POC, carriers will be required to participate in a reconciliation process with the WCA in order to ensure that all filings are up to date, the correct Federal Employer ID Numbers are being used and the WCA records are updated with the most current policy number. CAOM will test the carrier's WCPOLS data to verify that it can be cleanly converted to the IAIABC standards. When the WCA is ready, the converted data will be transferred to the WCA by CAOM. After the editing process is completed, the WCA will return results to CAOM for distribution to each carrier.

Carriers must adhere to very specific reporting formats in order for their data to convert properly. The following documents found on the Michigan WCA web site, provide an overview of EDI Proof of Coverage: <http://www.michigan.gov/wca/0,1607,7-191-26925-80536-,00.html>

- WCPOLS Filing Guidelines
- WCPOLS Triplicate Mapping
- Proof of Coverage Filing Requirements
- Proof of Coverage Element Requirement Table
- Proof of Coverage Edit Matrix

Carriers may also need to review their processing procedures as they relate to proof of coverage reporting and the change from all paper reporting to electronic reporting.

Carriers who believe they meet the requirements cited above, may contact CAOM and request that we begin to edit their WCPOLS data for Michigan's Proof of Coverage purposes. Keep in

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mind that the following minimum reporting requirements must be met before testing for electronic Proof of Coverage can begin:

1. Policy data must be submitted electronically to CAOM in the WCIO WCPOLS format and include an electronic transmittal record.

The WCPOLS reporting specifications may be found at:
<http://www.ncci.com/manuals/wcio/wcio/wcio.htm>

2. Name and address records must be formatted appropriately per the WCPOLS Filing Guidelines and [CAOM Circular #183](#).
3. Each name record reported must include a Legal Nature of Entity Code in Record Type 02, field 11.
4. Each name record must be linked to an address (location) record.
5. Each name record must have a valid FEIN reported.

The following document entitled “EDI-POC Carrier Requirements” gives further details of how this process will work.

For more information or to begin testing, you may contact Vickie Scroggs at Vscroggs@caom.com or (734/462-9600 x214) or Jheikkinen@caom.com (x225).

Sincerely,

Jon Heikkinen

**EDI-POC
Carrier
Requirements**

1. The Received Date for filings will continue to be the date the filing is received in the WCA office. For electronic submissions, this is the date the State of Michigan (SOM) receives the transmission from CAOM; not the date CAOM receives the transmission from the Carrier. Carriers currently send their information to CAOM weekly, bi-weekly or monthly. They will need to review this procedure with CAOM and make any needed adjustments.
2. The SOM expects to electronically process the following types of transactions:
 - 2.1. New policies
 - 2.2. Renewals
 - 2.3. Additions
 - 2.4. Rewrites
 - 2.5. Cancellations
 - 2.6. Reinstatements
3. In order to properly reinstate coverage for all entities insured on a policy, the WCA will review their database for all employers/entities that match the carrier and policy number when an electronic reinstatement is received from CAOM. The WCA will then compare the records to see if they all have the same termination date. If they do, the WCA will reinstate all of the entities on that policy. If the termination date is different on one or more of the entities (very rare occurrence), the reinstatement will be rejected and the filing will need to be manually submitted to the WCA.
4. Currently the SOM does not process Renewals. In the EDI world, renewals will be critical to keep the policy number current. The SOM will identify new employers listed on the renewal transaction and load that information to their database. It will also identify missing employers. The SOM will not terminate the coverage on the missing employer(s). It will, however notify the Carrier via a report of the missing employer(s). If it is the intention of the Carrier to terminate coverage for those employer(s), an electronic “delete” transaction or a paper 401 must be filed.
5. The SOM will be changing the way it processes cancellations for electronic filings. Today, an individual 401 must be submitted for each employer being terminated. Under EDI, cancellations will be performed at the policy number level. All employers with open coverage under a policy will be terminated.
6. There will be some limitations in the process that will require continued paper submissions. Some examples are:
 - 6.1. Cancellations of individual employers from a policy. Since the electronic cancellation process will cancel the entire policy an electronic “delete” transaction or a paper 401 must be filed in order to delete an individual employer.
 - 6.2. Transactions that equate to the 400 form today must send detail on each covered employer. If, due to system limitations, that is not possible, then those transactions must continue to be submitted on paper. However, inaccurate or incomplete paper 400’s will be rejected.
NOTE: The FEINs of subsidiaries are required. It will not be possible for CAOM to submit electronic filings on behalf of carriers who do not supply a FEIN for all named insureds.
7. The SOM will create the appropriate 400 and 401 facsimiles. For the Form 400 related transactions, the facsimiles will be created using the incoming information as transmitted by CAOM. For the 401 related transactions, the facsimiles will be created using information from the WCA database along with the carrier ID, policy number and intended termination date as transmitted by CAOM. Any information that originates from the WCA database will be flagged to that effect.
8. In preparation for EDI POC reporting, carriers will work with the Bureau to cleanup and reconcile the two databases, provide data to CAOM for testing, make appropriate system changes to produce WCPOLS transactions that map cleanly into the IAIABC equivalents (which includes providing all FEINs on 400 type transactions), and participate in a system test where both electronic and paper

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filings are submitted. A Trading Partner Agreement between the SOM and both CAOM and the carrier(s) will be necessary.

9. Data cleanup between carriers and WCA is necessary. The cleanup encompasses the following tasks:
 - 9.1. WCA will complete the policy # updates and then produce a new Active List of Policies report for the carrier.
 - 9.2. The carrier will complete the FEIN cleanup effort. Providing a correct FEIN continues to be a problem today. Often there is a structure change that results in the issuance of a new FEIN to the employer.
 - 9.3. The carrier will produce a reconciliation file for WCA. The file layout will be distributed by the WCA.
10. The SOM is reviewing the letters currently sent to all carriers when requesting information for clarity (i.e. what is the problem and what type of response is expected from the carrier) and redundancy.
11. CAOM and the SOM recognize the importance of having the same and consistent front-end edits. The SOM has provided CAOM with an Edit Requirements Matrix that spells out the mandatory data elements and formats. CAOM will map this information to the WCPOLS format and provide the carriers with the same sort of information.
12. The process flows for the electronic filings of the 400 and 401 forms once they enter the SOM system will include the following:
 - 12.1. 400 Process
 - 12.1.1. The SOM does not expect to issue any “Transaction Reject” acknowledgements. All of these errors should be caught by CAOM and never reach the SOM.
 - 12.1.2. While the intention is for all transactions to flow cleanly through the SOM’s system electronically, due to the complexities of the relationships between employers, subsidiaries, locations, and legal entity types, it is likely there will be a fairly robust reconciliation process that will require manual intervention from SOM staff. The implications of this are that while the SOM can acknowledge incoming electronic files as “accepted”, it may be that after going through the reconciliation process, additional information will be required from the carrier. The SOM expects to utilize their current system to request these updates via the letters they use today.
 - 12.2. 401 Process
 - 12.2.1. For cancellations, the SOM will generate a “Transaction Rejected” if they cannot find the policy number on their database. They could also reject if they do not find any open coverage for the policy. On a multiple entity policy, the transaction will be accepted if any of the entities can be successfully cancelled. The entities that could not be cancelled will appear on a report to the Carrier.
 - 12.2.2. The SOM will produce a new report(s)/file(s) to provide the employer detail for each policy cancellation.
 - 12.2.3. Separate reports will be produced for those employers who were successfully terminated and those that were not terminated and the reason why. The SOM calculated 20-day term date will be provided.
 - 12.2.4. The reports will be provided in electronic format.
 - 12.2.5. The reports will be in policy number order.

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- 12.2.6. Carriers that allow backdating of coverage termination dates will need to be aware of the impact of electronic reporting on this process. Under this procedure, a reinstatement of a cancelled policy is followed by a new 401 with an earlier cancellation date. Assuming it is sent to the SOM, the reinstatement will have the effect of putting the terminating carrier back on the risk and overlaying the newer (and correct) carrier. The 20-day rule will then result in the actual termination date being calculated from the date the SOM receives the 401. The only way the SOM can handle the backdating of a previously cancelled policy is for the carrier NOT to file a reinstatement and only send the backdated cancellation.
- 12.3. The SOM will send all acknowledgements back to CAOM. CAOM will be responsible for sending acknowledgements on to the Carrier.